

New Jersey Ghana and South Africa

Trade and Business Mission



SOUTH AFRICA:

General Economic Overview

- South Africa has a GDP of \$126 billion (2001) with significant growth potential. The nation enjoys easy access to other markets in Africa, has sophisticated financial institutions and capital markets, a good communication infrastructure, lower labor costs than western industrialized countries and inexpensive electrical power and raw materials.
- Since 1994 when the first democratically elected government came into power, the country became politically stable with a more open and outwardly oriented economy.
- South Africa is a member of the World Trade Organization (WTO). American products qualify for South Africa's most-favored-nation tariff rates. South Africa also is an eligible country for the benefits under the African Growth and Opportunity Act (AGOA), and most of its products can enter the United States market duty free.
- South Africa has done away with most import permits except on used products and products regulated by international treaties. It also remains committed to the simplification and continued reduction of tariffs within the WTO framework and maintains active discussions with that body and its major trading partners.

New Jersey + South Africa = Opportunity

- Due to its strategic location at the heart of the bustling Northeast business corridor, e-commerce and companies with e-commerce capabilities are thriving, therefore producing an abundance of New Jersey-based companies with extensive knowledge and expertise in all operational and business-related aspects that fall under the larger term "e-commerce."

Studies indicate that Internet business is expected to expand across all sectors for the next five years according to an article published in a weekly business publication. South Africa's once lagging e-commerce market is about to come of age, with more than R6 billion (\$1 billion) expected to be generated from local Internet purchases in 1999.

A survey by consultants BMI-TechKnowledge (BMI-T), shows that e-commerce is expected to grow significantly over the next three years. Acuity's web commerce survey states that this is the first year in which business-to-business spending has outstripped consumer purchasing power, with almost R4 billion being spent this year. This represents

growth of 14.5 times the amount of revenue generated in 1998 (R207 million). By 2003, it is estimated that R37 billion (\$6.1 billion) will be spent on business e-commerce.

- As mentioned previously, New Jersey is home to some of the nation's premier telecommunications companies, from AT&T, Verizon, Lucent Technologies, Avaya and others, in addition to a wealth of smaller, telecommunications-based small business enterprises.

Telecommunications analysts predict a growth rate of 14% in South Africa's telecommunications infrastructure in the next four years as a result of the sector's liberalization program. BMI-TechKnowledge has revealed that infrastructure spend in the sector is forecast to grow from R15.2 million for 2000 to R24.9 billion in 2005. This growth is expected to peak in 2002 and 2003 and then dip slightly over the next two years until local telecommunications operators start rolling out third generation (3G) networks and universal service mobile telephone systems (UMTS).

The South African telecommunications market will see a second fixed line national operator, Second Network Operator (SNO) compete with incumbent Telkom from May 2002, the licensing of State-owned signal satellite distributor Sentech with an international license, and the possible licensing of a third network operator in 2005.

- New Jersey is home to many of the leading environmental firms in the Northeast and throughout the country, firms such as URS, Schoor DePalma IT Corporation, the Louis Berger Group, Inc. and many others, including many growing small and mid-size environmental firms.

As the South African population (43 million) increases and become more urbanized, it will place increasing demands on land, water and air resources and consequently a greater need will exist for effective pollution control measures. The monitoring, measuring, and testing equipment market is estimated to be growing at roughly 10 percent to 12 percent per annum (real growth), and this trend is expected to continue for at least the next five years. Custom duties range from five percent to 25 percent in addition to a 14 percent value-added tax (VAT) which is levied on all non-essential goods and services.

As the South African population (43 million) increases and becomes more urbanized, it will place increasing

demands on land, water and air resources and consequently a greater need will exist for effective pollution control measures.

The monitoring, measuring, and testing equipment market is estimated to grow at roughly 10 to 12 percent per annum (real growth), and this trend is expected to continue for at least the next five years. Custom duties range from 5 percent to 25 percent in addition to a 14 percent value-added tax (VAT) which is levied on all non-essential goods and services.

Within the medical waste industry waste management practices are beginning to shift from focusing solely on utilizing incinerators to implementing alternatives such as autoclaves, rotoclaves and microwaves. The country's approximate 40,000 tons of medical waste are currently being combusted through the individual Provinces' incinerators and landfills. As a response to the increase prevalence of diseases such as AIDS, more construction of provincial hospitals will afford opportunities to implement new and affordable technology to replace the current medical waste disposal methods.

- New Jersey is widely regarded as America's foremost pharmaceutical, medical technology and supply leader, giving the state a tremendous advantage in one of the world's most challenging and competitive industry sectors.

More than \$1 billion worth of pharmaceuticals is sold in South Africa annually and the market has been averaging a solid 4.8 percent growth rate over the past few years.

Tariff rates are relatively low and import penetration is significant at 35 percent. Imports are growing at a faster rate than the overall market (9.3 percent) and the prospects for further inroads is great, especially as the South African authorities, the private sector and international development bodies begin to coordinate their strategy to combat the HIV/AIDS pandemic.

The market is the most advanced in Africa and receptive to imported products. In the latest survey, 148 companies were identified as manufacturing and/or distributing approved pharmaceuticals in South Africa. Roughly speaking market share is divided equally between South African, U.S. and European manufacturers. It is a very competitive market, and one that shifts significantly in response to the latest worldwide developments.

Moreover, market research indicates a wealth of opportunities for business investment in other industries and market sectors, all of which have a significant and strong presence within New Jersey's diverse \$380 billion economy. These include:

- Agriculture
- Cellular Telephony
- Computer Software and Services
- (Eco-) Tourism
- Security and Safety Equipment
- Chemical Industry
- Mining and Minerals
- Spatial Development Initiatives (SDIs)